



ELECTRONIC COMMERCE

An Overlay of the Enterprise Zone Program

As of July 2014, the city of Beaverton was designated for an **Electronic Commerce** overlay to the existing Enterprise Zone. Electronic Commerce can provide additional incentives for eligible businesses who primarily conduct business via Internet-based transactions.

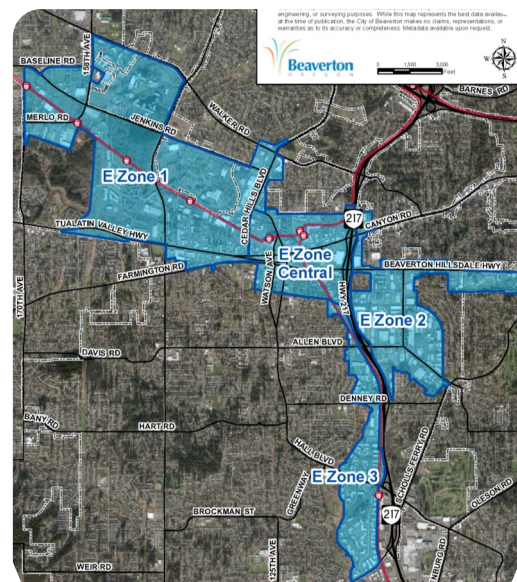
For specific details about Enterprise Zone eligibility and requirements, go to BeavertonOregon.gov/EZone.



Electronic Commerce (E-Commerce) is an incentive made available as part of the state of Oregon's Enterprise Zone program that allows eligible property tax exemptions for three to five years. All Enterprise Zone state and local requirements apply for a business to take advantage of E-Commerce. For more details about Enterprise Zone eligibility and requirements and how it works with the E-Commerce overlay, please visit BeavertonOregon.gov/EZone.

E-Commerce is defined as a business engaged predominantly in transactions via the internet or an Internet-based platform. These transactions can include taking orders, closing sales, making purchases, providing customer service or undertaking other activities that serve the business's overall purpose, even if retail in nature.

A significant feature of this designation is that qualifying businesses may receive a credit against the business's annual state income or corporate excise tax liability. The credit equals **25 percent** of the capital asset investment cost used in E-Commerce operations inside the Enterprise Zone. The newly installed personal property, machinery, and equipment also qualifies for additional exemption more broadly defined to include such property costing **\$1,000** or more per item.



STATE INCOME TAX CREDIT

The credit equals **25 percent** of the investment cost made in capital assets used in E-Commerce operations inside the Enterprise Zone. To make the investment means to have incurred the financial liability or commitment for the asset in that income tax year. Capital assets are property used in the business, the cost of which may be depreciated for federal income tax purposes, even if the assets end up being expensed. (Use of this credit does not affect the deduction or basis of such expenses or assets.) The annual maximum credit amount is \$2 million per year. Unused tax credit amounts may be carried forward over the next five years. The credit is claimed directly on corporate or individual tax returns, and while there is no additional form required, the taxpayer must maintain records of purchased assets and other relevant information, such as timely qualification of the property tax abatement, the actual property for which may differ from what is used for income tax credit.

To obtain this state tax credit, the business's E-Commerce investment (in terms of incurring the cost or financial liability) needs to be made after the Enterprise Zone application for authorization has been approved, but during an income tax year beginning before the end of the three- to five-year period of the standard Enterprise Zone exemption from local property taxes. This tax credit sunsets by law, such that the business also must make the investment no later than in its income tax year that begins during 2017.

LOCAL PROPERTY TAX ABATEMENT

In an E-Commerce Enterprise Zone, "being engaged in electronic commerce" is itself an eligible activity for property tax abatement. In any Oregon Enterprise Zone, such an operation would likely qualify for other reasons—for example, by satisfying the definition of an eligible administrative or call center.

In a designated E-Commerce area, however, the newly installed personal property, machinery and equipment that qualifies for exemption is more broadly defined. Usually, such property that costs less than \$50,000 per item qualifies only if used in the production of tangible goods. In the case of an E-Commerce Enterprise Zone or city, using it in E-Commerce alone suffices for the exemption. The exemption still does not cover any personal property item costing less than \$1,000 or any vehicle, and all other Enterprise Zone criteria and procedures apply.

Qualified new investments also will include those for operations that support or ensue from the E-Commerce activity—for example, shipping and storage facilities to fulfill orders mostly arising from E-Commerce.

APPLICATION

Businesses interested in E-Commerce as part of the Beaverton Enterprise Zone program can obtain the State application online at <http://www.oregon.gov/dor/PTD/docs/303-029.pdf> or from Amy Koski at akoski@BeavertonOregon.gov or 503-526-2631.

Investment must occur within the City of Beaverton Enterprise Zone boundary after an Enterprise Zone Authorization Application has been submitted and approved. See the boundary maps at www.BeavertonOregon.gov/EZone.

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